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SUBJECT: SMALL TOWN CONCERNS IN COOMA

1. (SBU) Summary: Econoff and Econ adviser visited Cooma, New South Wales (NSW) on April 7. Local political and business leaders say that the economic downturn has dried up financing for small businesses. Over the longer term, leaders are worried about the threat of climate change on nearby ski resorts which attract much of the tourism that traffics through Cooma. Despite some successes in luring new investment, 62 percent of Cooma's households are living on less than A\$40,000 (US\$28,000) a year. The Rudd government stimulus package is having only minimal impact for Cooma, and the poor state of financing in New South Wales is frustrating local businesses. Drought has hurt agribusiness, but the town itself is in relatively strong position in terms of water holdings. End summary.

2. (SBU) Cooma-Monaro shire is a combination of rural villages and a regional center (Cooma) totaling just over 10,000 located at the base of the Snowy Mountain range in New South Wales. It enjoys an advantageous position on the highways linking Sydney, Melbourne, and NSW's South Coast. Although it is an agrarian center, it benefits from tourism in the Snowys and a number of small and medium enterprises that have located in the town. It is closely linked with the Snowy Mountain hydropower scheme (septel) and hosts the scheme's headquarters. The town's population has been relatively stable since the mid-1980s - a better performance than many rural Australian towns which are losing population. The Shire voted Labor 53-47 in the 2007 elections.

CLIMATE WEIGHS HEAVY ON TOURISM

3. (SBU) Econoff and econ adviser met with Cooma-Monaro Shire Council General Manager John Vucic, ANZ bank Commercial and Agribusiness manager David Shelley, and members of the Chamber of Commerce and Industry on April 7. In a frank discussion, they shared their views on the economic challenges facing rural areas in Australia. Vucic, who was previously the Deputy Transportation Minister for New South Wales, said that despite the current economic downturn, his biggest concerns were climate change and the superannuation system. The shire is heavily dependent on snow tourists who flock to Australia's most important ski centers in the Snowy Mountains through Cooma. Vucic said there was some skepticism about climate change in the rural populace, but that most accepted the growing range of scientific evidence that suggests much lower snowfalls in the region in the future. Without snow tourism, many of the small businesses in Cooma itself will find it tough to survive. Water is a constant issue for agribusiness in the ongoing drought, but the city itself is fairly well off, according to Shire Council Environment Director David Smith. The city upgraded infrastructure in the early 1990s, and therefore had a more secure water reserve than many Australian localities. Cooma has not had to institute water restrictions higher than Stage 2 (Canberra, Sydney, and Melbourne are all at Stage 3 or higher, although scales vary) but some outlying communities

were at Stage 6 and often had to have water trucked in from the city during the summer months. Residential water efficiency programs had been pursued in the city, Smith said, as "low hanging fruit" and NSW building codes now required water and energy efficiency standards for new construction. Much of Cooma's housing stock, however, was built in the 1950s as part of the Snowy hydro scheme and was horribly inefficient, Smith said. Qinefficient, Smith said.

INCOME UNCERTAINTY STILL AN ISSUE

14. (SBU) Vucic said that 62 percent of the households in the shire were living on less than A\$40,000 (\$28,000) a year. If the government passes an emissions trading scheme that raises input costs for fuel, commodities, and energy, those families would be under even greater stress. The government's stimulus package had put A\$900 in everyone's pocket, but delivered only A\$420,000 for the shire for ten small infrastructure projects. That A\$900 would be used, Vucic predicted, to save or pay off debt, not to consume, and therefore would have little effect on economic trends in the shire. He predicted the next major emergency facing residents would be in the mandatory superannuation retirement scheme, which he said was a "mess" and would be under increasing pressure as share markets continue to stagger.

15. (SBU) Shelley said that small-scale business lending in the region has basically dried up as Australians have recently saved more and banks have tightened lending requirements. He agreed that the threat to tourism was a major concern, but noted that falling foreign tourism trips for frugal Australians had bolstered local markets. 2008 had

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been a relatively good year for tourism, and he noted that there were still some new investments being made, most notably German super-grocer ALDI, which plans to open a regional center in Cooma this year. Richard Mack, who runs a 10-person auto parts outlet in Cooma, said he saw uncertainty about finance reflected most clearly in the stockyards. Where grazers would normally sell 18,000 or so head of stock in a single sale day, recent sales days had seen upwards of 25,000 head sold. The wool price had been unexpectedly resistant to the downturn, Shelley said, and farmers who could not get financing to cover feed costs were dumping their herds now, with the hope that next year financial conditions will have eased and allow them to re-capitalize their flocks.

LITTLE HELP FROM NSW

16. (SBU) Vucic, Shelley and Mack all expressed exasperation at the New South Wales government. The state of NSW finances was "shocking," Vucic said, and the inability of the labor government to enforce any fiscal discipline or achieve key policy objectives like the electricity privatization proved that they could expect little help from Sydney in the future.

Despite federal stimulus spending, transportation infrastructure was terrible, Vucic said, but Cooma residents still believed that the state should invest in improved regional rail networks linking the coast to Canberra, Sydney, and Melbourne. Shelley asked whether U.S. investors would still be looking for opportunities in rural Australia, but Vucic agreed that the ongoing financial crisis, lack of certainty around carbon costs and the state of NSW's financial position would all increase risk and drive down outside investment in the region for the foreseeable future.

17. (SBU) Comment: We expect that any small community in rural Australia would express similar concerns in the middle of the global financial crisis. But the potential decline in tourism and the continued failure of the NSW government put particular pressure on leaders in Cooma. While it is unlikely that the shire faces economic oblivion, its

longstanding reputation as a place where one can live a country lifestyle in comfort (seen in the very stable population numbers) may be slipping. The two greatest threats, climate change and the drought, are outside Cooma's control. Despite its beneficial location, Cooma may face the same flight to the cities seen elsewhere in rural Australia sooner than many would have imagined. End Comment.